

**REPORT OF THE AUDIT OF THE
SPENCER COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SPENCER COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Spencer County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$239,473 from the beginning of the year, resulting in a cash surplus of \$894,447 as of June 30, 2003.

Debt Obligations:

Total bonded debt principal as of June 30, 2003, was \$195,000. Future collections of \$105,052 are needed over the next two years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$1,031,946 as of June 30, 2003. Future principal and interest payments of \$1,202,172 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable David Jenkins, Spencer County Judge/Executive
Members of the Spencer County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Spencer County, Kentucky, as of June 30, 2003, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Spencer County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Spencer County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Spencer County, Kentucky, as of June 30, 2003, and the revenues received and expenditures paid for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable David Jenkins, Spencer County Judge/Executive
Members of the Spencer County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 11, 2004, on our consideration of Spencer County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Spencer County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 11, 2004

SPENCER COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

David Jenkins	County Judge/Executive
David Henry	Magistrate
Anthony Travis	Magistrate
Bill Shelburne	Magistrate
Bill Drury	Magistrate
David Goodlett	Magistrate

Other Elected Officials:

Ruth Ann Hollan	County Attorney
David Houghlin	Jailer
Judy Puckett	County Clerk
Phyllis Shafar	Circuit Court Clerk
Steve Coulter	Sheriff
John "Sammy" Crafton	Property Valuation Administrator
Dennis McClain	Coroner

Appointed Personnel:

Doug Williams	County Treasurer
Karen Curtsinger	Finance Officer/Deputy Judge

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

SPENCER COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	<u>Governmental Fund Type</u>		<u>Totals</u> <u>(Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 794,804	\$ 101,798	\$ 896,602
Total Assets	\$ 794,804	\$ 101,798	\$ 896,602
<u>Other Resources</u>			
Amounts to be Provided in Future Years for:			
Capital Lease (Note 5)	\$ 1,031,946	\$	\$ 1,031,946
Bond Payments (Note 4)		195,000	195,000
Total Other Resources	\$ 1,031,946	\$ 195,000	\$ 1,226,946
Total Assets and Other Resources	\$ 1,826,750	\$ 296,798	\$ 2,123,548

The accompanying notes are an integral part of the financial statements.

SPENCER COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2003
 (Continued)

	<u>Governmental Fund Types</u>		<u>Totals</u> <u>(Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Capital Lease (Note 5)	\$ 1,031,946	\$	\$ 1,031,946
Bonds:			
Series 1995 (Note 4)		195,000	195,000
Withholding Tax Account	\$ 2,155		2,155
Total Liabilities	<u>\$ 1,034,101</u>	<u>\$ 195,000</u>	<u>\$ 1,229,101</u>
<u>Equity</u>			
Fund Balances:			
Reserved	\$ 792,649	\$ 101,798	\$ 101,798
Unreserved			792,649
Total Equity	<u>\$ 792,649</u>	<u>\$ 101,798</u>	<u>\$ 894,447</u>
Total Liabilities and Equity	<u>\$ 1,826,750</u>	<u>\$ 296,798</u>	<u>\$ 2,123,548</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

SPENCER COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2003

	General Fund Type		
	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 1,906,066	\$ 1,030,591	\$ 86,445
Other Financing Sources:			
Transfers In			145,000
Kentucky Advance Revenue Program	393,900	39,000	
Lease-Purchase Proceeds	55,000	113,000	
Total Cash Receipts	<u>\$ 2,354,966</u>	<u>\$ 1,182,591</u>	<u>\$ 231,445</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,854,529	\$ 1,057,229	\$ 235,882
Other Financing Uses:			
Transfers Out	145,000	106,700	
Bonds:			
Principal Paid			
Interest Paid			
Bank Fees			
Capital Lease Principal	146,840	31,758	
Kentucky Advance Revenue Program Repaid	393,900	39,000	
Total Cash Disbursements	<u>\$ 2,540,269</u>	<u>\$ 1,234,687</u>	<u>\$ 235,882</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (185,303)	\$ (52,096)	\$ (4,437)
Cash Balance - July 1, 2002 *	<u>840,084</u>	<u>133,311</u>	<u>61,090</u>
Cash Balance - June 30, 2003 *	<u>\$ 654,781</u>	<u>\$ 81,215</u>	<u>\$ 56,653</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

SPENCER COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

Debt Service	
<u>Fund Type</u>	
Public Properties Corporation Bond Fund	Totals (Memorandum Only)
\$ 21	\$ 3,023,123
106,700	251,700
	432,900
	168,000
<u>\$ 106,721</u>	<u>\$ 3,875,723</u>
\$	\$ 3,147,640
	251,700
90,000	90,000
14,355	14,355
3	3
	178,598
	432,900
<u>\$ 104,358</u>	<u>\$ 4,115,196</u>
\$ 2,363	\$ (239,473)
<u>99,435</u>	<u>1,133,920</u>
<u>\$ 101,798</u>	<u>\$ 894,447</u>

The accompanying notes are an integral part of the financial statements.

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Spencer County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation as part of the reporting entity.

Spencer County Public Properties Corporation

The Public Properties Corporation (PPC) was created for the financing of road construction and repair in Spencer County. Fiscal Court has the authority to appoint a voting majority of the PPC's board of directors and PPC was deemed a component unit of the County. Financial information for the Public Facilities Construction Corporation is blended within Spencer County's financial statements.

Additional - Spencer County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Spencer County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Spencer County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Spencer County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, and Jail Fund.

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Bond Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Spencer County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Public Properties Corporation Bond Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. For the purposes of the statement of assets, liabilities, and changes in fund balances the county considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Spencer County Fiscal Court: The Spencer County Tourism Commission and the Spencer County Library.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture with the City of Taylorsville and the Spencer County Fiscal Court: Taylorsville-Spencer County Community Industrial Development Authority.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	Category			Carrying Amount	Market Value
	1	2	3		
Federal Money					
Market	\$ 245,507	\$ 0	\$ 0	\$ 245,507	\$ 245,507

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Long-Term Debt

Bonds outstanding for the Public Properties Corporation Bond Fund totaled \$195,000 as of June 30, 2003. These bonds were issued on July 1, 1984, at various interest rates ranging from 9 percent to 12.75 percent and were issued for road construction and repair.

These outstanding 1984 Series A Bonds were refunded on January 1, 1995. The refunded bond plan was undertaken to obtain lower interest rates of 4.5 percent to 6 percent. The following table shows the scheduled interest and principal amounts due during the next two years.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 8,850	\$ 95,000
2005	<u>3,000</u>	<u>100,000</u>
Totals	<u>\$ 11,850</u>	<u>\$ 195,000</u>

Note 5. Capital Leases

A. Vehicle and Telephone

On January 4, 2000, Spencer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$59,000. The purpose of the lease was the purchase of a dump truck and a telephone system. The lease term of this agreement was 5 years with the balance to be paid in full January 20, 2005. The principal balance on the lease was \$20,046 as of June 30, 2003. The following table shows the scheduled interest and principal amounts due during the remainder of the lease.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 676	\$ 12,555
2005	<u>118</u>	<u>7,491</u>
Totals	<u>\$ 794</u>	<u>\$ 20,046</u>

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Leases (Continued)

B. Ambulance

On January 16, 2001, Spencer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$30,000. The purpose of the lease was the purchase of an ambulance. The lease term of this agreement was 4 years with the balance to be paid in full January 20, 2005. The principal balance on the lease was \$12,523 as of June 30, 2003. The following table shows the scheduled interest and principal amounts due during the remainder of the lease.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 473	\$ 7,805
2005	83	4,718
Totals	<u>\$ 556</u>	<u>\$ 12,523</u>

C. Dump Truck

On April 18, 2001, Spencer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$52,000. The purpose of the lease was the purchase of a dump truck. The lease term of this agreement was 5 years with the balance to be paid in full April 20, 2006. The principal balance on the lease was \$30,735 as of June 30, 2003. The following table shows the scheduled interest and principal amounts due during the remainder of the lease.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 1,243	\$ 10,453
2005	734	10,879
2006	207	9,403
Totals	<u>\$ 2,184</u>	<u>\$ 30,735</u>

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Leases (Continued)

D. Loader

On July 20, 2001, Spencer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$52,000. The purpose of the lease was the purchase of a loader. The lease term of this agreement was 5 years with the balance to be paid in full January 20, 2006. The principal balance on the lease was \$35,000 as of June 30, 2003. The following table shows the scheduled interest and principal amounts due during the remainder of the lease.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 1,394	\$ 10,000
2005	940	10,000
2006	395	15,000
Totals	\$ 2,729	\$ 35,000

E. Road Paver

On September 21, 2001, Spencer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$30,000. The purpose of the lease was the purchase of a road paver. The lease term of this agreement was 5 years with the balance to be paid in full September 20, 2006. The principal balance on the lease was \$20,049 as of June 30, 2003. The following table shows the scheduled interest and principal amounts due during the remainder of the lease.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 682	\$ 5,945
2005	445	6,142
2006	199	6,344
2007	11	1,618
Totals	\$ 1,337	\$ 20,049

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Leases (Continued)

F. Courthouse Renovation

On September 21, 2001, Spencer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$900,625. The purpose of the lease was the renovation of the courthouse. The lease term of this agreement was 10 years with the balance to be paid in full January 20, 2011. The Administrative Office of the Courts (AOC) pays \$29,850 directly to trustee for KACoLT, National City Bank each February and August. The principal balance on the lease was \$751,552 as of June 30, 2003. The following table shows the scheduled interest and principal amounts due during the remainder of the lease.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 32,982	\$ 79,750
2005	29,249	83,444
2006	25,344	87,308
2007	21,258	91,350
2008	16,983	95,580
2009-2012	<u>23,270</u>	<u>314,120</u>
Totals	<u>\$ 149,086</u>	<u>\$ 751,552</u>

G. Dump Truck

On September 24, 2002, Spencer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$48,000. The purpose of the lease was the purchase of a dump truck. The lease term of this agreement was 5 years with the balance to be paid in full October 20, 2007. The principal balance on the lease was \$42,041 as of June 30, 2003. The following table shows the scheduled interest and principal amounts due during the remainder of the lease.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 1,490	\$ 9,184
2005	1,123	9,487
2006	746	9,799
2007	353	10,123
2008	<u>28</u>	<u>3,448</u>
Totals	<u>\$ 3,740</u>	<u>\$ 42,041</u>

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Leases (Continued)

H. Dump Truck

On June 24, 2003, Spencer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$65,000. The purpose of the lease was the purchase of a dump truck. The lease term of this agreement was 5 years with the balance to be paid in full July 20, 2008. The principal balance on the lease was \$65,000 as of June 30, 2003. The following table shows the scheduled interest and principal amounts due during the remainder of the lease.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 1,861	\$ 11,200
2005	1,447	12,574
2006	1,065	12,956
2007	670	13,350
2008	262	13,755
2009	3	1,165
Totals	<u>\$ 5,308</u>	<u>\$ 65,000</u>

I. Ambulance

On June 24, 2003, Spencer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$55,000. The purpose of the lease was the purchase of an ambulance. The lease term of this agreement was 5 years with the balance to be paid in full July 20, 2008. The principal balance on the lease was \$55,000 as of June 30, 2003. The following table shows the scheduled interest and principal amounts due during the remainder of the lease.

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 1,574	\$ 9,477
2005	1,225	10,639
2006	902	10,963
2007	566	11,296
2008	222	11,639
2009	3	986
Totals	<u>\$ 4,492</u>	<u>\$ 55,000</u>

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6. Insurance

For the fiscal year ended June 30, 2003, Spencer County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

SPENCER COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,683,597	\$ 1,906,066	\$ 222,469
Road and Bridge Fund	1,020,240	1,030,591	10,351
Jail Fund	234,960	86,445	(148,515)
Totals	<u>\$ 2,938,797</u>	<u>\$ 3,023,102</u>	<u>\$ 84,305</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 2,938,797
Add: Budgeted Prior Year Surplus	807,971
Less: Other Financing Uses	<u>(273,598)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 3,473,170</u>

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SCHEDULE OF OPERATING REVENUE

SPENCER COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

Revenue Categories	GOVERNMENTAL FUND TYPES		Totals
	General Fund Type	Debt Service Fund Type	(Memorandum Only)
Taxes	\$ 776,276	\$ 21	\$ 776,297
In Lieu Tax Payments	16,933		16,933
Excess Fees	44,497		44,497
Licenses and Permits	199,009		199,009
Intergovernmental Revenues	1,577,447		1,577,447
Charges for Services	326,281		326,281
Miscellaneous Revenues	64,049		64,049
Interest Earned	18,610		18,610
Total Operating Revenue	<u>\$ 3,023,102</u>	<u>\$ 21</u>	<u>\$ 3,023,123</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

SPENCER COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 908,514	\$ 849,614	\$ 58,900
Protection to Persons and Property	784,363	772,721	11,642
General Health and Sanitation	67,395	44,450	22,945
Social Services	23,715	17,531	6,184
Recreation and Culture	181,104	125,234	55,870
Roads	878,266	941,067	(62,801)
Debt Service	27,148	16,146	11,002
Capital Projects	58,762	7,324	51,438
Administration	543,903	373,554	170,349
Total Operating Budget - General Fund Type	\$ 3,473,170	\$ 3,147,641	\$ 325,529
Other Financing Uses:			
Transfers to Public Property			
Corporation Fund	95,000	95,000	
Capital Lease Agreement-			
Principal on Lease	178,598	178,598	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 3,746,768</u>	<u>\$ 3,421,239</u>	<u>\$ 325,529</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Jenkins, Spencer County Judge/Executive
Members of the Spencer County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Spencer County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated May 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Spencer County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Spencer County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 11, 2004

